

## INFORMATION SYSTEMS STRATEGIC ASSESSMENT

for

AMERICAN MEDICAL LABORATORIES

### SYNOPSIS

March 10, 1989

### OBJECTIVES

- Determine Executive Management's expectations for Strategic/Tactical objectives of the systems function
- Examine current system organization's structure, capabilities, processes and technology strategy
- Recommend changes in strategy, organization and process which will increase effectiveness of the systems function in meeting AML's short-term and long-term needs

### APPROACH

- Interview AML Executive Management
- Interview ISD Management
- Review Internal AML Documents
- Develop/Present analysis and Recommendations

### CONCLUSIONS

- **I.S. organization is basically in sound shape**
  - competent management/staff, many with long experience at AML
  - exceptional focus on quality and teamwork
  - deficiencies generally well understood and realistically addressed via
    - . Corrective Action Plans (CAPs)
    - . other projects/plans
- **Major I.S. problems are a reflection of broader Corporate problems**
  - lack of a business process model
  - inadequate strategic plan/vision
  - inadequate financial systems/processes
    - . operational planning/budgeting
    - . cost accounting and chargeback
    - . capital allocation/project prioritization
    - . management reporting (MIS)



## CORPORATE MANAGEMENT ISSUES RELATING to the I.S. FUNCTION

Information Systems are a key strategic/competitive resource for AML.

- *Internally*, laboratory management systems provide "mission critical" support to the business, while complex administrative systems are required for billing, cost accounting, inventory management, etc.
- *Externally*, a standard systems environment provides clients with a "single image" at multiple locations, reinforcing the AML reputation for a single high standard of quality and service. New systems could also provide additional value added for both clients and AML through features such as expanded client/patient historical data

While this is recognized in theory, it has not been recognized in corporate practice.

- ISD has operated in a *reactive*, rather than a *proactive* mode
  - all projects and expenditures have required separate approval by EMC
  - priorities have been set on an *ad hoc* and continuously changing basis
- ISD does not have authority to develop/implement long term plans
- ISD does not have authority to make significant short term investments
- Users often fail to take an active part in the systems development process
- Users often do not understand/accept charges for systems investments

In short, ISD has not been run as a business and many systems decisions have been made without proper user involvement.

## STRATEGIC SYSTEMS-RELATED ISSUES

- On the *technology* side, **business applications must be shifted off the Tandem onto more suitable computers**, using packaged software wherever possible. The selection and integration of new packages and computers is a major challenge.
- On the *business* side, **AML needs to develop a strategic approach to acquisitions and decentralized systems**. While effective procedures were developed to manage a recent acquisition, there are no established criteria for evaluating the operations and systems changes required in potential acquisitions.
- In order for technology to provide optimum support of AML's business strategy, several business policy guidelines must be established:
  - > develop and follow basic strategies for both business and technology
  - > do not attempt to make case-by-case marginal analysis of either technology or business issues -- look only for "show stoppers"
  - > strongly recommend planned migration to a standard AML system for all acquisitions/remote sites



## REVIEW of STRATEGIC PLANNING PROCESS/DOCUMENTS

- **Several years reviewed**, starting from 1983; review based on:
  - documents in ISD files
  - comments of ISD staff
- **Most planning sessions viewed by INPUT as inadequate**
  - same deficiencies noted by most of EMC
  - lack of I.S. component to strategies
  - top level mission/objectives good, but not related to strategy
- **Best process was early (1983) "brainstorming" session**
  - developed good material
  - encouraged management consensus
  - results of process never formalized and incorporated into a plan
- **No evidence of other comprehensive planning sessions**
  - all subsequent sessions were apparently reviews/presentations
  - no "brainstorming" or other team/consensus-building activities
  - no commitment to plans -- just financial projections
- **Current approach to planning is more tactical than strategic**
  - good short term analysis of strengths/weaknesses
  - "gut level" consensus tabulation on specific remedial projects
  - little relation of priorities even to tactical goals
    - projects categorized under goals, but little apparent relationship to goals
    - no statement of what project will do to advance goals
    - no statement of where AML will be (what is left to do) vs. goal after project is completed
- **Major area of weakness/disagreement is acquisitions policy**
- **Second major problem is staff understanding of corporate goals/strategies**
  - not effectively communicated by EMC
  - understood primarily through osmosis or rumor
- **Third major problem is I.S. strategies not being integral to business strategies**
  - business strategies do not seem to take I.S. capabilities into account
  - plans do not support effective *management* of the I.S. function (planning/budgeting/priority setting, etc.)
  - no explicit, overall I.S. plan to support corporate plan
- **Current I.S. plans focus primarily on current applications**
  - shift business functions from Tandem to appropriate hardware
  - use standard packages for standard functions
  - build network and support capabilities

---> necessary interim step to stabilize operations
- **Key source of these weaknesses is lack of a business process model**

---> sample outline of a business process model is included in the main report



## **RECOMMENDATIONS**

- **Run ISD as a business** (see INPUT's "Chargeback Systems" report)
  - clear, measurable objectives
  - long term capital/investment planning
  - accounting processes that recognizes/amortizes capital investments
  - authority for the I.S. manager to acquire/control necessary resources
  - contractual relationship between I.S. and its customers
  - appropriate process for chargeback (user-oriented billing system)
  - managerial accounting system for internal controls
- **Address corporate planning/process issues**
  - implement above management approach throughout organization
  - develop business/process model
  - refine business planning process
  - educate and drive users to become active participants in systems activities

